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# Review of *The Social Life of Financial Derivatives: Markets, Risk, and Time* by Edward LiPuma (Duke University Press)

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ABSTRACT Edward LiPuma outlines a sociohistorical theory of the market that positions derivatives trading as initiating a new form of capitalism. The book also confronts the narratives that the financial sector tells itself about the causes and aftermath of the financial crisis, revealing the social relations that underpin the entire enterprise. LiPuma exposes the wild-seeming speculation of hedge fund managers and traders as a rationale that disappears the social aspect of its own ritual induction and relational mode of production and reproduction. An understanding of the social underpinning of financial markets, LiPuma hopes, can lead to a politics of "just optionality" where the same methods for betting on securitized commodities (assets made liquid) like housing mortgages can be transferred into wagers that further the collective good. For Marxists, LiPuma has an urgent message: existing theories of the market are incomplete without an understanding of how financial capital, led by derivatives trading, has transformed the means by which capital reproduces itself.

*The Social Life of Financial Derivatives: Markets, Risk, and Time*. By Edward LiPuma. Durham and London: Duke University Press, 2017, 424 pp. (paperback) ISBN 9780822369714. US List: $29.95.

Edward LiPuma takes the financial crisis of 2008 as the focal point for his recent book on derivatives trading and the development of a new logic of financial capitalism. Circling outward from the financial crisis, LiPuma outlines a sociohistorical theory of the market that positions derivatives trading as initiating a new form of capitalism. The book also confronts the narratives that the financial sector tells itself about the causes and aftermath of the financial crisis, revealing the social relations that underpin the entire enterprise. Taking an ethnographic perspective of the development of a culture of finance, this book explores the habitus of traders, using anecdotes to trace derivatives trading from a niche market in the 1970s to the present where investment capital is the predominant form of capital accumulation. An understanding of the social underpinning of financial markets, LiPuma hopes, can lead to a politics of "just optionality" where the same methods for betting on securitized commodities (assets made liquid) like housing mortgages can be transferred into wagers that further the collective good.

For Marxists, LiPuma has an urgent message: existing theories of the market are incomplete without an understanding of how financial capital, led by derivatives trading, has transformed the means by which capital reproduces itself. The accumulation of capital through circulation and trading has been divorced from traditional means of production. In its place, "global transnational trading networks and derivatives markets are absorbing almost all of the newly 'printed' dollars" (53). Derivatives are time-dependent wagers made against a spread of risks (such as the collateralized mortgage obligations of homeowners in the US) in the form of a futures contract between competing parties about an event or outcome.  Such wagers systematize risks, which impact and include

society, by fabricating them into linear and deterministic terms devoid of any relation to the actors outside of an "efficient" market. The competition between the two parties of any derivatives wager begets further competition as the outsized rewards for winning a trade spur traders on to take greater risks—fabricating spreads of volatility that, because of their financial heft, inflect real events, increasing the wager's volatility even more—injecting more cash flow into this mechanism for accumulation and away from production. LiPuma describes this cycle as a treadmill effect where traders seek increasingly exotic trades, amplifying volatility, exemplified par excellence by the extremely volatile positions regarding the housing market that led to the financial crisis of 2008. When confronted with the question of the *why* of this self-destructive scheme, LiPuma offers an account of agents' subjectivity to escape the tautology implicit in this means of financial reproduction and escalating volumes of accumulation and volatility.

LiPuma argues that the mathematic and scientific naturalization of the market buries an underlying set of social relations that are inseparable from the decisions and financial culture that created and perpetuates derivatives markets. The Black-Scholes equation is the foundation for pricing a derivative—though it is not explored in detail until the penultimate chapter of the book—and it provides a concrete-seeming, scientized legitimation of the market as a complete, self-sustaining totality. LiPuma describes how the equation categorically denies the social or subjective role market agents play in devising the wagers or their value, which is intrinsically nonexistent outside a contract's fulfillment. Ironically, this structure is upheld by the collective belief of the market agents who, through formal contractual obligations mediated by mathematical precision, perform the ritual exorcising of the social from the clandestine realm of abstract risk.

The primary obstacle to understanding derivatives markets is the way knowledge of this obscure technique is inculcated and circulated. LiPuma exposes the wild-seeming speculation of hedge fund managers and traders as a rationale that disappears the social aspect of its own ritual induction and relational mode of production and reproduction. He calls on the term "the *illusio*," drawn from Bourdieu, to describe the financial institution's "misrecognition of the real relations of the production of the structure of financial circulation" (350). This veiled act of disappearing the social is itself a crucial social performance, contributing to a habitus of derivatives trading and financial markets which takes the place of the invisible hand guiding the market. Far from the objective market of "rational, utility maximizing, actors" (267), agents of firms like Morgan Stanley undergo rites of passage that internalize the culture of finance and alter their inductees' dispositions to compulsively acquire more money by participating in a workplace culture that "segregates the participants from other socialities even as it extends the sociality of work [into] the once sacrosanct temporal space of leisure, family, and recreation" (302). These sets of practices are extrinsic to the market's logic and rules, taking for granted and thus leaving itself open to the uncertainty of the social realm in the future when, for example, payment for a wager comes due. Thus, the analysis of the market's collapse in 2008 cannot be understood from within the market form alone, as accounts by the very same market participants responsible for the crisis do not demonstrate the tools needed for just such a critical project.

Derivatives—essential to understand for the development of LiPuma's central argument—are only partially explained until Chapter 9, meanwhile, in the preceding chapters LiPuma outlines a social theory around this time-based trading mechanism, delving into comparative accounts of social rites of passage, tokens, and other cultural rituals to illuminate the sociality inherent in financial capitalism that is obscured from the lay person but is brought out in his ethnographic approach. However, the organization of the book requires one to continuously circle back to piece together the incomplete

descriptions LiPuma provides. The effect is disorienting and the piecemeal approach of how derivatives actually function creates greater distances for the reader to traverse than is necessary, detracting from the important arguments that the book contains. In the final chapter, LiPuma does not flesh out so much as gesture toward the "just optionality" in which he hopes to see derivatives repurposed for enhancing social good, offering no solutions for confronting the walled-off financial institution and its means of intellectual reproduction. His primary aim is to outline a social theory that runs counter to the narratives and analyses offered by the likes of Alan Greenspan and Ben Bernanke. Although it is cumbersome, the argument that he makes is a worthwhile one.

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Christian Quaresma holds a Master's degree in Cultural Studies and Critical Theory from McMaster University in Hamilton, Ontario. He is a social researcher working in the employment services sector in Toronto. Currently, he is preparing a manuscript of his MA thesis, an ethnographic account of the Toronto City Planning Division's approach to development and public consultation in diverse neighborhoods.

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